

Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 80-20 – Board of Hearing Aid Specialists Regulations
Department of Professional and Occupational Regulation
October 15, 2009

Summary of the Proposed Amendments to Regulation

The Board of Hearing Aid Specialists (Board) proposes to raise fees for licensed hearing aid specialists.

Result of Analysis

Costs likely exceed benefits for these proposed regulatory changes.

Estimated Economic Impact

Currently, hearing aid specialists who are licensed by application must take an exam which costs \$110 and must pay an initial licensure fee of \$30. Hearing aid specialists who are licensed by reciprocity must currently pay \$140 for initial licensure (this fee covers both the required exam and initial licensure). Licensure applicants who do not initially pass the required examination must currently pay a re-examination fee of \$95 for each part of the examination that needs to be retaken. The fee for a temporary permit is currently \$30. Biennial license renewal is \$20 and reinstatement of licensure currently costs \$50. The reinstatement cost includes the renewal fee and a reinstatement fee.

The Board now proposes to raise all of these fees. Under this proposal, current fees will increase between 27% and 775%. Below is a comparison table for current and proposed fees:

FEE TYPE	CURRENT FEE	PROPOSED FEE	% INCREASE
Initial Licensure by Application	\$30	\$185	517%

Examination Fee	\$110	\$140	27%
Initial Licensure by Reciprocity (Includes Examination Fee)	\$140	\$325	132%
Temporary Permit Fee	\$30	\$185	517%
Re-Examination Fee	\$95	\$125	31.5%
Renewal	\$20	\$175	775%
Reinstatement	\$50	\$360	620%

The Board reports that these fee increases are necessary in order to meet Callahan Act requirements for cash reserves; the Callahan Act requires regulatory boards within the Department of Professional and Occupational Regulation (DPOR) to revise its fees if its expenses over a biennium are 10% greater or 10% less than its revenues over the same time period. The Board lowered fees in 2003 because they had extremely large cash balances which needed to be dissipated, so revenues over the last six years have been lower than expenditures. For the current biennium (2008-2010), the Board reports a Callahan percentage of 19% and further reports that expected expenditures over the next biennium (2010-2012) will drive the Callahan percentage down to -56.7%.

If one assumes projected expenses are both necessary and efficient, than fee increases would be required to allow the Board to meet its statutory mandates. These proposed fees, however, would drive the projected Callahan percentage for the next three biennia well above that allowed by statute. Board staff reports that, with the asked-for fee increases, the Callahan percentages for the 2010-2012 and the 2012-2014 biennia are expected to be 33.5%. The Callahan percentage for the 2014-2016 biennium is expected to be 22.3%. Charging licensees fees that are larger than necessary deprives those licensees of the use of that money and may lead to lower employment in this field. Licensees will likely benefit if proposed fees are set at a level that both meets Callahan Act requirements and charges licensees only for projected expenses that provide a net benefit for them or the public they serve.

The Board reports that fee increases are necessary to cover increasing costs for information systems development, enforcement activities, application processing and customer services over the last biennium. While it is true that raising fees will likely allow the Board to increase its revenues to meet anticipated budget deficits, licensees (and probably the public) would likely benefit more from efforts to decrease Board costs so that they more closely match current revenues.

Board staff reports, for instance, that software purchased to facilitate automation of the licensure process is a considerable and increasing expense. This new software is not a custom built product so it is anticipated that more money (beyond the initial purchase price) will have to be spent in order to allow the automation software to do what the Board needs it to do. The Board anticipates that implementation of this automated system will increase system stability but will not increase far term efficiency so that fewer employees are needed (and so that long run costs for licensees decrease). Instead more employees will likely need to be hired once the automated system is in place. Although licensees may benefit somewhat from being able to submit applications and fees online, that benefit could likely be accrued at a lower cost from a more efficient software package and is likely outweighed by large near-term and far-term costs for this system.

Board staff reports that \$83 was spent on Board enforcement activity in 2008 and that \$97 was spent on enforcement activity in 2009. The cost of enforcement activity has never exceeded \$125 during any of the five years for which Board staff provided information. Given this data, fee increases are very likely not needed to cover increasing enforcement activity.

Businesses and Entities Affected

DPOR reports that, as of June 30, 2009, the Board licenses 585 hearing aid specialists, all of whom would be affected by fee increases. DPOR also reports that most of these entities would meet the definition of small businesses.

Localities Particularly Affected

No locality will be particularly affected by this proposed regulatory action.

Projected Impact on Employment

This regulatory action will likely decrease the number of individuals who would choose to be licensed as hearing aid specialists.

Effects on the Use and Value of Private Property

This regulatory action will likely have little effect on the use or value of private property in the Commonwealth.

Small Businesses: Costs and Other Effects

Small businesses in the Commonwealth will incur the cumulative costs of licensure fees that will increase on account of this regulatory action.

Small Businesses: Alternative Method that Minimizes Adverse Impact

There are several actions that the Board could take that might mitigate or eliminate the necessity of raising fees. The Board could slightly lengthen the time that it takes to process both license applications and complaints so that staff costs could be cut. This option would benefit current licensees but would slightly delay licensure, and the ability to legally work, for new applicants. Because DPOR reports that the new automated system that has been purchased is not anticipated to cut processing times or increase efficiency, and thus lower costs, in the long run; licensees would likely benefit if DPOR either reinstituted their old system or found another automated system that could be expected to increase future efficiency and decrease the need for future staff increases.

Real Estate Development Costs

This regulatory action will likely have no effect on real estate development costs in the Commonwealth.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or

other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.